

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Alternative Investments
Activity Status Report

ITEM NUMBER: 10

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: January 13, 1999

INFORMATION: X

PRESENTER(S): Mr. Desrochers

The table below contains Alternative Investment activity for the month of November 1998 and historical information for selected time periods.

	Month Ended 11/30/98	Fiscal Year To Date	Past One Year	Past Three Years	Inception To Date
Commitments:					
Partnerships	22,000,000	72,000,000	1,483,150,400	2,753,150,400	4,381,480,691
Co-Investments	0	0	0	47,000,000	47,000,000
Contributions:					
Partnerships	42,913,610	280,165,439	610,757,101	1,367,702,590	2,235,214,877
Co-Investments	0	0	0	47,000,000	47,000,000
Distributions:					
Cash	11,776,834	64,461,812	337,770,073	833,840,897	1,021,365,361
Stock	9,510,114	26,811,310	74,535,623	315,814,464	420,141,062
Stock Sales	8,441,083	23,673,078	51,789,789	268,901,849	349,228,222

Attachment 1 contains a summary of partnership commitments and capital accounts from the inception of the Alternative Investment program through November 30, 1998.

Attachment 2 contains an executive summary of action taken under delegation of authority for a \$22 million commitment to Austin Ventures VI, L.P.

STRS ALTERNATIVE INVESTMENTS										
PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES										
NOVEMBER 1998										
	Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	STRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
1	Alpine Technology Partners	VC	Sep-94	Dec-8-94	60,000,000	60,000,000	36,000,000	0	36,000,000	0
2	Alta V	VC	Apr-92	May-27-92	159,470,000	20,000,000	20,000,000	6,269,040	13,730,960	23,371,027
3	Alta Communications VI	SS	Apr-96	May-09-96	161,200,000	20,000,000	19,000,000	0	19,000,000	0
4	Alta Communications VII	SS	Jun-98	July-09-98	271,490,000	30,000,000	3,750,000	0	3,750,000	0
5	Austin Ventures V	VC	Jan-97	Jan-16-97	170,000,000	15,000,000	8,117,647	0	8,117,647	0
6	Austin Ventures VI	VC	Nov-98	Nov-24-98	320,000,000	22,000,000	751,294	0	751,294	0
7	Bank Fund III	SS	Jan-93	Jan-22-93	125,000,000	10,000,000	10,000,000	0	10,000,000	6,044,650
8	BCI Growth III	SS	Feb-90	Mar-30-90	135,500,000	15,000,000	15,000,000	13,531,273	1,468,727	12,844,521
9	BCI Growth IV	SS	Mar-95	Oct-25-95	175,253,000	25,000,000	16,113,568	1,409,280	14,704,288	2,724,161
10	Blackstone Capital Partners II	LBO	Oct-93	Nov-03-93	1,271,400,000	75,000,000	68,408,764	17,162,316	51,246,448	31,541,795
11	Blackstone Capital Partners III	LBO	Jun-97	Jun-27-97	3,750,000,000	300,000,000	43,396,461	0	43,396,461	14,566
12	Boston Ventures IIIA	SS	Apr-89	Apr-27-89	286,000,000	35,598,029	35,598,029	30,244,319	5,353,710	35,670,511
13	Boston Ventures IVA	SS	Oct-92	Nov-10-92	515,000,000	55,312,500	49,228,125	35,656,983	13,571,142	40,300,875
14	Boston Ventures V	SS	May-96	Sep-30-96	808,080,000	90,000,000	36,916,981	0	36,916,981	0
15	Candover 1994	LBO	Mar-94	May-18-94	490,000,000	32,900,000	22,991,969	6,370,526	16,621,443	15,053,705
16	Candover 1997	LBO	Nov-97	Dec-10-97	1,411,000,000	150,000,000	18,257,201	0	18,257,201	0
17	Charterhouse Equity Partners	LBO	Jul-89	Jul-27-89	264,900,000	27,160,000	28,160,105	12,235,181	15,924,924	32,398,960
18	Charterhouse Equity Partners II	LBO	Jun-93	Dec-17-93	291,250,000	40,000,000	40,155,780	5,582,757	34,573,023	19,753,675
19	Cornerstone Equity Investor IV	VC	Nov-96	Dec-6-96	550,000,000	40,000,000	16,800,000	0	16,800,000	0
20	Corporate Partners	SS	Apr-88	Jun-24-88	1,396,000,000	100,000,000	88,428,784	63,648,600	24,780,184	76,391,565
21	CVC European Equity Partners	LBO	Nov-95	Feb-27-96	562,000,000	40,000,000	37,230,800	2,706,501	34,524,299	5,139,639
22	CVC European Equity Partners II	LBO	Apr-98	Jun-03-98	2,500,000,000	300,000,000	55,121,101	0	55,121,101	161,137
23	Domain Partners III	VC	Jan-95	Feb-24-95	125,000,000	10,000,000	8,500,000	400,781	8,099,219	1,406,702
24	ECI 5	LBO	Nov-94	Apr-27-95	128,000,000	16,000,000	14,200,467	3,184,389	11,016,078	7,086,376
25	First Reserve Fund VI	SS	Jan-92	Jan-29-92	184,184,000	25,000,000	25,000,000	10,203,098	14,796,902	15,145,583
26	First Reserve Fund VII	SS	Jan-97	Feb-21-97	243,900,000	25,000,000	15,146,287	1,783,702	13,362,585	2,797,818
27	First Reserve Fund VIII	SS	Apr-98	Apr-16-98	800,000,000	100,000,000	6,493,927	0	6,493,927	0
28	FS Equity Partners III	LBO	Mar-93	Aug-26-93	559,800,000	60,000,000	59,170,463	17,925,583	41,244,880	23,787,101
29	FS Equity Partners IV	LBO	Oct-97	Dec-31-97	915,000,000	87,500,000	31,523,269	0	31,523,269	0
30	Golder, Thoma, Cressey III	SS	Dec-91	Dec-12-91	235,000,000	4,633,908	4,633,908	2,218,557	2,415,351	15,941,592
31	Golder, Thoma, Cressey IV	SS	Mar-93	Apr-06-93	312,000,000	35,000,000	34,037,500	12,119,581	21,917,919	29,922,325
32	Golder, Thoma, Cressey V	SS	Jul-96	Jul-26-96	521,000,000	40,000,000	32,200,000	90,786	32,109,214	601,209
33	InnoCal Fund	VC	Jan-93	Apr-1-93	75,800,000	75,000,000	58,700,000	5,277,639	53,422,361	6,957,352
34	InterWest Partners IV	VC	May-89	Jun-16-89	110,000,000	10,000,000	10,000,000	3,353,423	6,646,577	11,441,030
35	InterWest Partners V	VC	Apr-93	Jun-17-93	175,000,000	15,000,000	15,000,000	1,225,458	13,774,542	42,636,600
36	InterWest Partners VI	VC	Jun-96	Jun-27-96	175,000,000	15,000,000	10,800,000	0	10,800,000	0

STRS ALTERNATIVE INVESTMENTS										
PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES										
NOVEMBER 1998										
	Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	STRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
37	Kelso Investment Advisors V	LBO	Jan-93	Dec-23-93	710,000,000	50,000,000	46,353,677	1,871,769	44,481,908	6,758,456
38	Kelso Investment Advisors VI	LBO	Feb-98	Mar-98	1,500,000,000	150,000,000	1,736,712	0	1,736,712	0
39	KKR 1996 Fund	LBO	Oct-96	Dec-20-96	6,012,000,000	300,000,000	150,792,979	0	150,792,979	703,740
40	Madison Dearborn	SS	Jun-92	Dec-18-92	550,000,000	50,000,000	48,067,446	10,449,657	37,617,789	25,149,674
41	Madison Dearborn II	SS	Apr-96	Jun-27-96	925,000,000	60,000,000	39,299,611	0	39,299,611	0
42	Marlborough Capital	SS	Mar-91	Apr-01-91	70,700,000	10,000,000	9,873,150	4,761,619	5,111,531	3,523,206
43	Mayfield VII	VC	Nov-92	Dec-28-92	165,000,000	10,000,000	10,000,000	1,959,149	8,040,851	7,448,908
44	Media/Communications II	SS	Apr-90	Dec-20-90	167,000,000	30,000,000	30,000,000	16,833,550	13,166,450	39,901,873
45	Media/Communications III	SS	Dec-96	Dec-24-96	265,000,000	30,000,000	19,531,716	0	19,531,716	0
46	Mezzanine Lending Assoc III	SS	Feb-89	Mar-08-89	500,000,000	50,000,000	35,524,875	18,933,393	16,591,482	32,742,666
47	NEA V	VC	Mar-90	May-29-90	200,000,000	25,000,000	25,000,000	11,373,541	13,626,459	54,463,295
48	NEA VI	VC	Oct-93	Dec-22-93	230,000,000	35,000,000	35,000,000	4,574,911	30,425,089	19,465,631
49	NEA VII	VC	Nov-96	Nov-19-96	265,000,000	40,000,000	30,000,000	955,778	29,044,222	736,873
50	NEA VIII	VC	Jul-98	Sep-25-98	550,000,000	50,000,000	5,000,000	0	5,000,000	0
51	OCM Opportunities Fund II	SS	Sep-97	Oct-31-97	1,500,521,000	25,000,000	15,000,822	0	15,000,822	63,014
52	Penman Fund	LBO	May-93	Oct-05-94	88,700,000	8,339,215	5,431,967	550,282	4,881,685	170,803
53	Phildrew Ventures IV	LBO	Sep-95	Nov-13-95	257,000,000	20,000,000	17,231,459	3,121,095	14,110,364	2,237,716
54	Stonington Capital Appreciation	LBO	Sep-94	Dec-15-94	992,000,000	85,000,000	53,382,150	0	53,382,150	96,280
55	Summit Subordinated Debt Fund	SS	Feb-94	Mar-14-94	335,000,000	10,000,000	9,000,000	8,702,084	297,916	2,504,690
56	Summit Subordinated Debt Fund II	SS	Jan-97	Jan-31-97	141,400,000	20,000,000	7,000,000	140,567	6,859,433	360,506
57	Summit Ventures III	VC	Jan-92	Jan-23-92	279,200,000	15,000,000	13,500,000	10,100,766	3,399,234	28,499,561
58	Summit Ventures IV	VC	Jul-95	Jul-31-95	610,000,000	30,000,000	27,000,000	5,463,725	21,536,275	12,018,407
59	Summit Ventures V	VC	Feb-98	Feb-13-98	1,000,000,000	45,000,000	10,125,000	0	10,125,000	758
60	Syndicated Communications II	SS	Nov-89	Nov-01-90	35,000,000	7,037,039	7,037,039	2,993,947	4,043,092	2,722,766
61	TA/Advent VIII	VC	Oct-96	Nov-4-96	800,000,000	10,000,000	3,350,000	0	3,350,000	5,229
62	Thoma Cressey VI	SS	May-98	May-19-98	450,000,000	60,000,000	1,500,000	0	1,500,000	0
63	Thomas H. Lee Equity Fund III	LBO	Oct-95	Dec-28-95	1,345,000,000	100,000,000	69,654,618	30,566,088	39,088,530	32,575,730
64	Thomas H. Lee Equity Fund IV	LBO	Jan-98	Feb-09-98	3,450,000,000	150,000,000	25,871,421	0	25,871,421	3,390
65	Warburg, Pincus Investors	SS	Jun-89	Sep-27-89	1,775,000,000	100,000,000	100,000,000	78,406,166	21,593,834	42,508,154
66	Warburg, Pincus Ventures	SS	Jul-94	Nov-04-94	2,022,000,000	110,000,000	104,500,000	8,344,380	96,155,620	7,124,363
67	WCAS Debt II	SS	Sep-90	Oct 03-90	354,000,000	30,000,000	30,000,000	6,299,709	23,700,291	21,713,785
68	WCAS Debt III	SS	May-97	May-30-97	1,279,000,000	100,000,000	20,000,000	0	20,000,000	1,016,266
69	WCAS V	LBO	Dec-88	Jan-27-89	371,363,636	30,000,000	30,000,000	14,469,077	15,530,923	81,193,305
70	WCAS VI	LBO	Apr-93	May-12-93	604,000,000	50,000,000	50,000,040	7,273,778	42,726,262	20,674,444
71	WCAS VII	LBO	Sep-95	Oct-06-95	1,425,000,000	150,000,000	120,000,000	0	120,000,000	0
72	WCAS VIII	LBO	Jun-98	Jun-30-98	3,150,000,000	300,000,000	18,000,000	0	18,000,000	0

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	Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	STRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
73	Whitney 1990	SS	Nov-90	Mar-28-91	136,400,000 \$54,743,511,636	15,000,000 \$4,381,480,691	16,617,765 \$2,235,214,877	7,613,858 \$508,358,662	9,003,907 \$1,726,856,215	21,867,053 \$927,385,017
Co-Investments										
1	Bridge Financial Info. - WCAS VII	CI	Jul-96			30,000,000	30,000,000	0	30,000,000	0
2	Hines Holding - Madison Dearborn II	CI	Nov-96			17,000,000	17,000,000	17,000,000	0	3,842,198
						47,000,000	47,000,000	17,000,000	30,000,000	3,842,198
	Types: LBO (Leveraged Buyout)	Notes: #14 Commitment to Candover 1994 is 20 million British pounds.								
	VC (Venture Capital)	#15 Commitment to Candover 1997 is 84 million British pounds								
	SS (Special Situation)	#20 Commitment to CVC European Equity Partners is in US, equivalent ECU is 30 million.								
	CI (Co-Investment)	#23 Commitment to the ECI 5 Fund is 10 million British pounds								
		#51 Commitment to Penman was reduced via amendment 11/98								
		#52 Commitment to Phildrew Venutres IV is 12.3 million British pounds.								

Alternative Investment

**EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY
Austin Ventures VI, L.P.**

Action: Commitment of \$22 million to Austin Ventures VI a follow-on limited partnership of approximately \$320 million.

Background: Austin Ventures has been identified as a Tier 1 partnership by STRS staff. STRS has a current commitment in Austin Ventures V Fund of \$15 million.

Analysis: Austin Ventures VI qualifies as a follow-on fund as identified in the Alternative Investments' policies.

The investment thesis is based on the long term experience of the management team, its high quality deal flow, its proven investment strategy, and the long term successful track record of the firm.

The Austin Ventures VI investment strategy provides a good fit in the STRS portfolio; there is minimal overlap with STRS' other venture capital limited partnerships.

Austin Ventures' capital strategy is consistent with the targets and ranges which have been approved by the Investment Committee to invest 16% of the Alternative Investments portfolio in venture capital limited partnerships.

Policy compliance: This decision complies with the portfolio's policies and procedures which were approved on June 3, 1998 by the Investment Committee. A positive written recommendation by the Alternative Investment's advisor and STRS' staff has been documented. This was the result after an investment analysis and due diligence was conducted in the manner as previously reviewed and approved by the Investment Committee.

Recommendation:

Staff recommends that STRS commit \$22 million to Austin Ventures VI, L.P. which represents approximately 6.9% of the total capitalization of the fund. STRS' commitment is subject to the negotiation of partnership terms and legal review.

By:

Deborah Contini
Investment Officer

Date _____

Approved:

Réal Desrochers
Director of Alternative Investments

Date _____

Patrick Mitchell
Chief Investment Officer

Date _____